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Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AGRE-00 EB-08 AID-05 IGA-02 COME-00
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----------017692 011016Z /11
P R 010738Z DEC 77
FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC PRIORITY 5286
INFO AMEMBASSY SEOUL

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PASS AGRICULTURE, OGSM/BULLION; NOVOTNY/FAS

E.O. 11652: N/A
TAGS: EAID, EAGR, ID
SUBJECT: ROK RICE LOAN TO GOI

REF: (A) SEOUL 10019, (B) JAKARTA TOFAS 189

1. SUMMARY: EMBASSY STRONGLY SUPPORTS USG APPROVAL OF PROPOSED ROK RICE LOAN TO GOI. ROK LOAN WILL PROVIDE ADDITIONAL INSURANCE BULOG CAN MANAGE OVERALL TIGHT RICE SUPPLY SITUATION. IF THERE ARE MAJOR SHORTFALLS OR SLIPPAGE IN SCHEDULED IMPORT ARRIVALS LOCAL DISTRIBUTION PROBLEMS, HOWEVER, COULD ARISE. ONE POTENTIAL DIFFICULTY IS WHETHER GOII PORT FACILITIES CAN HANDLE IMPORT ARRIVALS SCHEDULED FOR DECEMBER OF 575,000 TONS OF BAGGED RICE. 575,000 TONS IS FAR LARGER THAN ANY MONTHLY IMPORTS EVER HANDLED IN INDONESIA.
YOU ARARE GOI HAS RE-ENTERED INTERNATIONAL RICE MARKET TO COVER SHIPPING DELAYS EXPERIENCED IN NOVEMBER SLIPPAGE IN ARRIVALS EXPECTED IN DECEMBER AND POSSIBILITY PROPOSED PL 480 RICE WILL NOT ARRIVE BEFORE FEBRUARY.

2. EMBASSY SUPPORTS REQUEST IN REFTEL A FOR APPROVAL ROK LOAN OF 70,000 TONS OF RICE TO INDONSIA. IN VIEW OF PRESENT
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UNCERTAIN STATUS OF NEW TITLE I PL 480 AMENDMENT, IT WOULD CREATE ADDITIONAL PROBLEMS AND POSSIBLY SERIOUS REPERCUSSIONS WITHIN GOI IF ADVERSE DECISION BY USG SHOULD PREVENT RICE LOAN BY ROK. BULOG SPECIFICALLY INITIATED NEGOTIATIONS WITH ROK LARGELY TO OBTAIN RICE TO OFFSET EXPECTED CONTINUED DELAY IN SHIPMENTS 150,000 TONS OF PL 480 RICE BULOG HAS BEEN COUNTING ON TO ARRIVE JANUARY/MARCH. SAME MOTIVATION ALSO

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APPLIES TO NEGOTIATIONS FOR 100,000 TONS OF RICE TO BE
IMPORTED FROM JAPAN REPORTED IN REF B.

3. EMBASSY STILL BELIEVES TIGHT RICE SUPPLY POSITION CAN AND WILL
BE MANAGED BY BULOG WITH HAVY IMPORT PURCHASES CONTRACTED BY
BULOG IN LAST TWO MONTHS. ANY MAJOR SHORTFALL, HOWEVRER, IN
PLANNED IMPORTS WOULD DRAW DOWN STOCKS TO DANGEROUS LEVELS.

4. IN LAST SIX DAYS INDONESIA HAS RE-ENTERED INTERNATIONAL RICE
MARKET FOR 170,000 MT. REFTEL B GIVES DETAILS OF JAPANESE
SOFT LOAN PURCHASE OF WHICH THERE WILL BE EQUAL MONTHLY ARRIVALS
OF 25,0000 MT BEGINNING DECEMBER. AGAINST SOUTH KOREAN LOAN OF
70,000 MT BULOG EXPECTS DELIVERY OF 20-30,000 MT IN DECEMBER
WITH BALANCE TO ARRIVE IN JANUARY.

5. EXAMINATION OF CHANGES IN RICE ARRIVAL PLANS REVEALS DELAYS IN
PLANNED RICE ARRIVALS AND GOI CONCERN RE THE RESCHEDULING OF
51,800 MT OF NOVEMBER ARRIVALS TO SUBSEQUENT MONTHS (DELAYS
IN BURMESE, TAIWANSES, INDIAN AND PHILIPPINE RICE ARRIVALS
ONLY PARTIALLY OFFSET BY AN INCREAASE IN THAI SHIPMENTS OF
ABOUT 35,000 MT).

6. DELAYED NOVEMBER ARRIVALS POSTPONED UNTIL DECEMBER TOTALED
51,300 MT. ADDITIONAL RESCHEDULING DELAYS FOR PREVIOUSLY
PLANNED DECEMBER ARRIVALS AFFECT 62,000 MT (PRC, THAI, NORTH
KOREAN, PAKISTANI ORIGINS) MORE THAN OFFSETTING THE ABOVE
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NOVEMBER SLIPPAGE LEAVING A NET DECREASE OF 8,700 MT. BULOG
WAS SUCCESSFUL IN MOVING UP TO DECEMBER ARRIVAL 8,834 MT FROM
BRAZIL (INCLUDING 1,500 MT OF NEW PURCHASE) AND 45,000 MT
FROM COMMERCIAL U.S. SOURCES. PRESENT PLANNED IMPORT ARRIVALS
IN DECEMBER ARE 575,000 TONS INCLUDING 55,000 TONS FROM JAPAN
AND KOREA. THIS WILL STRAIN PORT FACILITIES
AND THER MAY BE DISCHARGE DELAYS. PRIOR TO NOVEMBER LARGEST
PREVIOUS IMPORTS WERE 240,000 TONS IN MARCH 1973. NOVEMBER
1977 ARRIVALS TOTALED ABOUT 285,000 TONS.

7. NEW JAPANESE AND SOUTH KOREAN ARRANGEMENTS WOULD ALLOW A
POSSIBLE ADDITIONAL 55,000 MT FOR DECEMBER ARRIVALS AS A HEDGE
AGAINST POSSIBLE FURTHER SHIPPING DELAYS. ALTHOUGH BULOG
PLANNING DOCUMENTS STILL CALL FOR JANUARY ARRIVAL OF 50,000
MT FROM THE TO BE NEGOTIATED 2ND AMENDMENT TO THE MAY 17, 1977
PL 480 AGREEMENT, BULOG BELIEVES DIFFICULTIE WITH PL 480
NEGOTIATIONS AND MECHANICS OF PA'S WILL PROBABLY RESULT IN
DELAY OF PL 480 ARRIVALS UNTIL AT LEAST FEBRUARY.

8. ABOVE MENTIONED PURCHASES WILL BRING BULOG 1977/78 IMPORT PLANS
TO ALMOST 2.63 MILLION MT. ACCORDING TO BULOG HEAD, THE
PHILIPPINES VICE SECRETARY OF AGRICULTURE HAS INDICATED THAT

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POSSIBLY UP TO AN ADDITIONAL 50,000 MT COULD BE OBTAINED FROM THAT SOURCE. BULOG HEAD ALSO THINKS THERE POSSIBILITY OF ADDITIONAL THAI RICE. DISCUSSIONS TAKING PLACE DECEMBER 1 WITH TRADE MISSION FROM BURMA WHICH HAS INDICATED POSSIBILITY ADDITIONAL RICE BEING AVAILABLE FOR EXPORT.

9. BULOG CURRENTLY PLANNING RICE IMPORT ARRIVALS OF 408,000 MT IN JANUARY, 367,437 MT IN FEBRUARY, AND 184,000 MT IN MARCH.
MASTERS

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